

PROEN Corp Public Company Limited and Subsidiaries Management Discussion and Analysis Quarter 2 of 2024

Business overview

PROEN Corp Public Co., Ltd. and its subsidiaries (“the Group”) conduct the business of Information Communication and Technology (ICT), Internet Data Center (IDC), Internet Service Provider (ISP), and Cloud Service, collectively called ICT business, which is the main revenue. The Group of Companies also provides Telecommunication and Infrastructure Service.

Operating result

The performance of the Group of companies for the six-month period ended June 30, 2024, showed a total revenue of 293.59 million baht, decreasing of 34.37 million baht or 10.48% from the same quarter of the previous year, due to a reduction in sales and service revenue by 88.12 million baht. However, revenue from infrastructure projects increased by 53.37 million baht. The Group's gross profit decreased by 10.92 million baht or 14.09%, resulting in a net loss of 21.24 million baht.



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ISO/IEC 27001:2013



ISO 9001:2015

Business Operation Analysis

The cumulative performance comparison for the six-month periods ending on June 30, 2024, and 2023, can be summarized as follows:

Operating Result (Unit : million Baht)	Quarter 2/2024 (Jan - Jun)		Quarter 2/2023 (Jan - Jun)		Change YoY	
	MB.	%	MB.	%	Increase (Decrease)	%
Revenue from Sale and Service	293.59	100.00%	327.96	100.00%	(34.37)	(10.48%)
Cost of Sale and Service	227.02	77.33%	250.47	76.37%	(23.45)	(9.36%)
Gross profit	66.57	22.67%	77.49	23.63%	(10.92)	(14.09%)
Other income	2.71	0.92%	1.22	0.37%	1.49	122.13%
Other losses	3.48	1.19%	-	-	3.48	100.00%
Selling expenses	10.71	3.65%	13.53	4.13%	(2.82)	(20.84%)
Administrative expenses	77.27	26.32%	43.60	13.29%	33.67	77.22%
Share of loss of associate	-	0.00%	1.15	0.35%	(1.15)	(100.00%)
Profit before interest and income tax expense	(22.18)	(7.55%)	20.43	6.23%	(42.61)	(208.57%)
Finance costs	4.13	1.41%	15.51	4.73%	(11.38)	(73.37%)
Profit before income tax expense	(26.31)	(8.96%)	4.92	1.50%	(31.23)	(634.76%)
Income tax (income) expense	(5.07)	(1.73%)	1.59	0.48%	(6.66)	(418.87%)
(Loss) profit for the period	(21.24)	(7.23%)	3.33	1.02%	(24.57)	(737.84%)

The performance comparison for the three-month periods ending June 30, 2024, and 2023, can be summarized as follows:

Operating Result (Unit: million Baht)	Quarter 2/2024 (Apr - Jun)		Quarter 2/2023 (Apr - Jun)		Change YoY	
	MB.	%	MB.	%	Increase (Decrease)	%
Revenue from Sale and Service	154.92	100.00%	126.62	100.00%	28.30	22.35%
Cost of Sale and Service	121.20	41.28%	81.28	24.78%	39.92	49.11%
Gross profit	33.72	11.49%	45.34	13.82%	(11.62)	(25.63%)
Other income	1.06	0.36%	1.00	0.30%	0.06	6.00%
Selling expenses	5.05	1.72%	6.84	2.09%	(1.79)	(26.17%)
Administrative expenses	50.32	17.14%	24.15	7.36%	26.17	108.36%
Share of loss of associate	-	0.00%	1.15	0.35%	(1.15)	(100.00%)
Profit before interest and income tax expense	(20.59)	(7.01%)	14.20	4.33%	(34.79)	(245.00%)
Finance costs	1.53	0.52%	7.42	2.26%	(5.89)	(79.38%)
Profit before income tax expense	(22.12)	(7.53%)	6.78	2.07%	(28.90)	(426.25%)
Income tax (income) expense	(4.23)	(1.44%)	1.72	0.52%	(5.95)	(345.93%)
Profit for the period	(17.89)	(6.09%)	5.06	1.54%	(22.95)	(453.56%)



For the performance results for the six-month period from Jan - Jun 2024, the Group incurred a loss of 21.24 million baht for the period, represented an increase in loss of 737.84% compared to the same period of the previous year. The primary reasons for this were a decrease in sales and service revenue, an increase of the provision for expected credit loss. Additionally, other losses were recognized from changes in cash flow due to amendments in debenture contracts, including an extension of the debenture redemption maturity by another 2 years and an increase in the debenture interest rate from the original 6.50% per annum to 7.00% per annum.

For the performance results for the three-month period from Apr - Jun 2024, the Group reported a loss of 17.89 million baht, represented an increase in losses of 453.56% compared to the same period last year. The main reasons for the increasing losses were a decline in sales and service revenues, an increase of the provision for expected credit loss.

Revenue, Cost, and Gross Profit

Operating Result (Unit: million Baht)	Revenue				Cost				Gross Profit			
	Jan - Jun 2024	Jan - Jun 2023	Increase (Decrease)	%	Jan - Jun 2024	Jan - Jun 2023	Increase (Decrease)	%	Jan - Jun 2024	Jan - Jun 2023	Increase (Decrease)	%
	(6 months)	(6 months)			(6 months)	(6 months)			(6 months)	(6 months)		
ICT Business:												
Revenue from sale	39.41	96.70	(57.29)	(59.25%)	35.91	85.22	(49.31)	(57.86%)	3.50	11.48	(7.98)	(69.51%)
Revenue from service	145.09	175.92	(30.83)	(17.53%)	96.26	107.35	(11.09)	(10.33%)	48.83	68.57	(19.74)	(28.79%)
Total revenue from ICT business	184.50	272.62	(88.12)	(32.32%)	132.17	192.57	(60.40)	(31.37%)	52.33	80.05	(27.72)	(34.63%)
Infrastructure construction business:												
Revenue from construction contracts	109.09	55.34	53.75	97.13%	94.85	57.90	36.95	63.82%	14.24	(2.56)	16.80	(656.25%)
Total revenue from main business	293.59	327.96	(34.37)	(10.48%)	227.02	250.47	(23.45)	(9.36%)	66.57	77.49	(10.92)	(14.09%)

Operating Result (Unit: million Baht)	Revenue				Cost				Gross Profit			
	Quarter 2/2024	Quarter 2/2023	Increase (Decrease)	%	Quarter 2/2024	Quarter 2/2023	Increase (Decrease)	%	Quarter 2/2024	Quarter 2/2023	Increase (Decrease)	%
	(3 months)	(3 months)			(3 months)	(3 months)			(3 months)	(3 months)		
ICT Business:												
Revenue from sale	33.65	18.89	14.76	78.14%	30.81	15.70	15.11	96.24%	2.84	3.19	(0.35)	(10.97%)
Revenue from service	71.90	99.66	(27.76)	(27.85%)	46.94	53.19	(6.25)	(11.75%)	24.96	46.47	(21.51)	(46.29%)
Total revenue from ICT business	105.55	118.55	(13.00)	(10.97%)	77.75	68.89	8.86	12.86%	27.80	49.66	(21.86)	(44.02%)
Infrastructure construction business:												
Revenue from construction contracts	49.37	8.07	41.30	511.77%	43.45	12.39	31.06	250.69%	5.92	(4.32)	10.24	(237.04%)
Total revenue from main business	154.92	126.62	28.30	22.35%	121.20	81.28	39.92	49.11%	33.72	45.34	(11.62)	(25.63%)



Revenue

For the six-month period from Jan - Jun 2024, the Group reported revenue from its core business of 293.59 million baht, decreasing of 34.37 million baht or 10.48% compared to the same period last year. This decline was primarily due to a reduction in sales and service revenue by 88.12 million baht or 32.32%, resulting from a decreasing in sales and installation services for IT equipment and software. However, the customer group for software consulting services and revenue from network and personnel services increased. Additionally, infrastructure project revenue increased by 53.75 million baht or 97.13%, due to the recognition of project revenue according to the progress of projects in Q2/2024. The Group continues to secure new projects consistently throughout 2024.

For the three-month period from Apr - Jun 2024, the Group reported revenue from its core business of 154.92 million baht, increasing of 28.30 million baht or 22.35% compared to the same period last year. This increase was attributed to the rise in sales revenue by 14.76 million baht or 78.14%, due to increased sales of computer equipment and packaged software to new customer segments. Additionally, revenue from infrastructure project work increased by 41.30 million baht or 511.77%, as project work in 2023 recognized revenue according to the progress in the second quarter of 2024, and the company continues to secure new projects in 2024. However, revenue from services decreased by 27.76 million baht or 27.85%, due to a decline in revenue from sales and software installation services.

Cost of sales and gross profit

For the six-month period from Jan - Jun 2024, the cost of sales decreased in proportion to the decline in revenue, resulting in a total gross profit of 66.57 million baht, a decrease of 10.92 million baht or 14.09%.

For the three-month period from Apr - Jun 2024, the cost of sales increased more than the increase in revenue, causing the gross profit decreased 11.62 million baht to 33.72 million baht or 25.63% from the same quarter of the previous year.



Selling and administrative expenses

For the six-month period from Jan - Jun 2024, selling expenses amounted to 10.71 million Baht, decreasing of 2.82 million baht or 20.84%, mainly due to a reduction in commission expenses. Administrative expenses amounted to 77.27 million baht, increasing of 33.67 million baht or 77.22% from the same period last year. The primary reason for this increase was the provision for expected credit loss in this quarter. The Group is closely monitoring the debt repayment from these debtors.

For the three-month period from Apr - Jun 2024, selling expenses amounted to 5.05 million baht, decreasing of 1.79 million baht or 26.17%, mainly due to a reduction in commission expenses. Administrative expenses amounted to 50.32 million baht, increasing of 26.17 million baht or 108.36% from the same period last year. The primary reason was the provision for doubtful debts in this quarter. The Group is closely monitoring the debt repayment from these debtors.

Other income

For the six-month period from Jan - Jun 2024, the other income amounted to 2.71 million baht, increasing of 1.49 million baht or 122.13%, due to interest on loans to associates.

For the three-month period from Apr - Jun 2024, the other income amounted to 1.06 million baht, increasing of 0.06 million baht or 6%.

Other losses

For the six-month period from Jan - Jun 2024, the Group recognized an additional loss of 3.48 million baht due to changes in cash flow resulting from amendments to the debenture contract. These amendments included extending the debenture redemption maturity by 2 years and increasing the bond interest rate from 6.50% per annum to 7.00% per annum.



Finance costs

For the six-month period from Jan - Jun 2024, the finance costs amounted to 4.13 million baht, decreasing of 11.38 million baht or 73.37% compared to the same period of the previous year. The finance costs arose from the issuance of debentures amounting to 500 million baht to be used for the preparation of constructing a new Internet Data Center and for business operations. The interest portion used for the construction project will be recorded as an asset under construction for the new Internet Data Center, and this will result in a decrease in interest expenses in the profit and loss statement when the funds are paid into the project.

For the three-month period from Apr - Jun 2024, the finance costs amounted to 1.53 million baht, decreasing of 5.89 million THB or 79.38% compared to the same period of the previous year. The finance costs arose from the issuance of debentures amounting to 500 million baht to be used for the preparation of constructing a new Internet Data Center and for business operations. The interest portion used for the construction project will be recorded as an asset under construction for the new Internet Data Center, and this will result in a decrease in interest expenses in the profit and loss statement when the funds are paid into the project.

Income tax (income) expense

For the six-month period from Jan - Jun 2024, income tax revenue amounted to 5.07 million baht, increasing of 6.66 million baht or 418.87% from the same period of the previous year. This increase was due to the recognition of deferred tax assets from accumulated losses that can be carried forward to offset future taxable profits.

For the three-month period from Apr - Jun 2024, income tax revenue amounted to 4.23 million baht, increasing of 5.95 million baht or 345.93%. This increase was due to the recognition of deferred tax assets from accumulated losses that can be carried forward to offset future taxable profits.



Statement of financial position

Statement of Financial Position (Unit: million Baht)	30 Jun 24	31 Dec 23	Increase (decrease)	%Increase (decrease)
Assets				
Current assets	857.96	1,024.21	(166.25)	(16.23%)
Non-current assets	937.26	776.92	160.34	20.64%
Total assets	1,795.22	1,801.13	(5.91)	(0.33%)
Liabilities and Equity				
Current liabilities	713.95	1,036.47	(322.52)	(31.12%)
Non-current liabilities	543.21	205.36	337.85	164.52%
Total liabilities	1,257.16	1,241.83	15.33	1.23%
Equity	538.06	559.30	(21.24)	(3.80%)
Total liabilities and equity	1,795.22	1,801.13	(5.91)	(0.33%)

As of June 30, 2024, the total assets amounted to 1,795.22 million baht, decreasing of 5.91 million baht or 0.33% from December 31, 2023. This decrease was mainly due to a reduction in cash and cash equivalents by 134.39 million baht, which were used for investment in the construction of a new Internet Data Center. Liabilities increased by 15.33 million baht or 1.23% due to the increase in trade payables and loans from financial institutions. However, during Q2/2024, the company repaid debenture amounting to 100 million baht.



Statement of Cash Flow

Statement of Cash Flows (Unit : million Baht)	30 Jun 24	30 Jun 23	Increase (decrease)	%Increase (decrease)
Net cash generated from (used in) operating activities	44.43	(159.60)	204.03	(127.84%)
Net cash used in investing activities	(147.54)	(206.45)	58.91	(28.53%)
Net cash (used in) generated from financing activities	(44.78)	54.17	(98.95)	(182.67%)
Net increase in cash and cash equivalents	(147.89)	(311.88)	163.99	(52.58%)
Opening balance of cash and cash equivalents	222.53	550.57	(328.04)	(59.58%)
Closing balance of cash and cash equivalents	74.64	238.69	(164.05)	(68.73%)

As of June 30, 2024, the Group had cash and cash equivalents amounting to 74.64 million baht. The net cash provided by operating activities amounted to 44.43 million baht, resulting from increased collections from trade receivables and the expansion of trade payables. The net cash used in investing activities was 147.54 million baht due to investments in constructing a new Internet Data Center (IDC). Additionally, the net cash used in financing activities totaled 44.78 million baht, which included payments for debenture repayments and related transaction costs amounting to 102.86 million baht and loan repayments to financial institutions amounting to 51.09 million baht. However, the Group received 117.23 million baht from new borrowings from financial institutions.

